

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-07 EUR-12 NEA-10 IO-13
ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 AID-05 SS-15 STR-04 ITC-01 TRSE-00
USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 XMB-02 STRE-00
OIC-02 /140 W
-----064181 031803Z /45

P R 031421Z AUG 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 9952

INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 GENEVA 6560

USEEC

PASS TO STR ELECTRONICALLY FOR MIKE SMITH

E.O. 11652: GDS

TAGS: GATT, ETRD

SUBJ: TEXTILES: MFA RENEWAL NEGOTIATIONS: A POST MORTEM

REF: GENEVA 6215

1. SUMMARY: AFTER TWENTY DAYS INTENSIVE, EXHAUSTIVE (AND EXHAUSTING) NEGOTIATION, TEXTILES COMMITTEE, WHILE IN FULL AGREEMENT THAT MFA SHOULD BE EXTENDED, COULD NOT REACH CONSENSUS DURING THIS ROUND ON TERMS OF EXTENSION. FAILURE CAN BE DIRECTLY ATTRIBUTED TO REFUSAL CERTAIN EXPORTING COUNTRIES ACCOMMODATE IN ANY WAY EC COMMISSION'S VERY REAL POLITICAL NEED FOR OPTICAL "UNDERSTANDINGS" ON FUTURE IMPLEMENTATION OF MFA; THIS DESPITE FACT THAT EC HAD MADE MAJOR RETREAT FROM INITIAL POSITIONS. FURTHER, COMMISSION NEGOTIATOR'S EFFORT TO CONCEAL FROM MEMBER STATES HIS STRETCHING OF MANDATE BY EXCESSIVELY FRANK PUBLIC STATEMENTS OF EC'S INTENTIONS
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IN UPCOMING BILATERAL NEGOTIATIONS, INCLUDING BOTH THINGLY-VEILED AND OVERT THREATS, WAS DOUBLE-EDGED SWORD. WHILE PROBABLY INDUCING MORE FLEXIBILITY IN POSITIONS OF CERTAIN MAJOR EXPORTING COUNTRIES HAVING MOST TO LOSE IF MFA NOT RENEWED, STATEMENTS CLEARLY INSPIRED FEAR AND RIGHTEOUS INDIGNATION AMONG CERTAIN OTHERS WHICH, IN END, BLOCKED CONSENSUS IN TC. IN LAST FOUR DAYS NEGO-

TIATIONS, IT BECAME CLEAR THERE WAS NO WAY BRIDGE GAP BETWEEN EC'S END-OF-ROAD POSITION AND THAT OF THE BRAZIL-INDIA-EGYPT NO-GIVE AXIS AND EQUALLY CLEAR THAT THE RESULTING IMPASSE IN TC COULD VERY EASILY SO WEAKEN EC'S RESISTANCE TO INTERNAL PROTECTIONIST PRESSURES AS TO BRING ON AN EARLY DISINTEGRATION OF MFA. FROM THIS POINT ON, NON-STOP NEGOTIATING SESSIONS BETWEEN MAJOR IMPORTERS AND EXPORTERS REPRESENTING OVER 80 PERCENT OF WORLD TEXTILE TRADE WERE AIMED AT PRODUCING "UNDERSTANDING" AMONG MAJOR PLAYERS WHICH WOULD BUY EC TIME PROCEED WITH BILATERAL NEGOTIATIONS AND REMOVE IMMEDIATE THREAT OF EC SCRAPPING MFA IN THE PROCESS. THESE EFFORTS RESULTED IN COM.TEX/W/44. END SUMMARY.

2. ACHEVEMENT CONSENSUS WITHING TC THIS SESSION ON EXTENSION UNCHANGED MFA WAS PROBABLY DOOMED FROM EC NEGOTIATOR'S OPENING STATEMENT. DESPITE FACT THAT THIS STATEMENT INDICATED EC WILLINGNESS ACCEPT UNCAHNGED EXTENSION UPON CERTAIN CONDITIONS, THE CONDITIONS SET FORTH AT TIME CLEARLY IMPLIED DE FACTO CHANGE. EXCEPT FOR FACT THAT TWO LARGEST EXPORTING COUNTRIES (HONG KONG AND KOREA) INDICATED THEIR WILLINGNESS TO ACCEPT "REASONABLE DEPARTURES" FROM MFA RULES (ANNEX B), NEGOTIATIONS WOULD PROBABLY HAVE BROKEN DOWN AFTER FIRST TC SESSION. IN FOLLOWING WEEK, U.S. DEL CONCENTRATED ITS EFFORTS ON ASCERTAINING EC'S "BOTTON LINE" POSITION AND ON SUBSEQUENT CONFIDENTIAL

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ATTEMPTS TO FIND WORDS FOR "SUMMING UP STATEMENT" WHICH WOULD BRIDGE GAP BETWEEN EC'S "BOTTOM LINE" AND THAT OF ALL OTHER EXPORTING COUNTRIES WHICH, UNDERSTANDABLY, WERE UNWILLING JOIN HONG KONG AND KOREA IN PUBLIC ACQUIESCENCE TO EC'S NEED FOR "REASONABLE DEPARTURES". BY THE TIME OF JULY 20 "SEVEN-PLUS-SEVEN" MEETING IT APPEARED THAT NO SOLUTION WAS POSSIBLE AND THAT NEGOTIATIONS HAD, INDEED, BROKEN DOWN.

3. U.S. DEL, PRIOR TO JULY 20 MEETING, HAD CONCLUDED THAT IT WOULD BE IMPOSSIBLE BRING BRAZIL, INDIA AND EGYPT INTO AGREEMENT ON COMPROMISE "SUMMING UP LANGUAGE" AND, ACCORDINGLY, FACED ALTERNATIVES, ON ONE HAND, OF EC WALKOUT AND SUBSEQUENT COLLAPSE OF MFA OR, ON OTHER HAND, OF FINDING UNDERSTANDING AMONG MAJOR IMPORTERS AND EXPORTERS WHICH WOULD PROVIDE BASIS FOR REQUESTING OPENING OF PROTOCOL FOR MFA EXTENSION RELATED TO THAT UNDERSTANDING. AFTER ESTABLISHING LEGALITY (GATT) OF LATTER COURSE WITH SECRETARIAT, U.S. DEL BEGAN INTENSIVE NEGOTIATIONS WITH GROUP CONSISTING OF MAJOR IMPORTERS (U.S., EC AND NORDICS), MAJOR EXPORTERS (HONG KONG, KOREA, ASEAN'S, EGYPT AND MEXICO) AND JAPAN (WHICH

IS UNABLE DECIDE WHETHER IT IS EXPORTER OR IMPORTER).
A PRIORI, EXPORTING PARTICIPANTS IN GROUP (LESS EGYPT
WHICH OBJECTED ALL THE WAY) PRAGMATICALLY FACED FACT
THAT MFA WAS IN DIRE PERIL. AFTER THRITY-SIX
HOURS ALMOST UNINTERRUPTED DISCUSSION, GROUP (LESS
EGYPT WHICH, AT END, DISASSOCIATED ITSELF) REACHED
AGREEMENT ON JULY 23 ON LANAGUAGE WHICH APPEARED IN
FINAL FORM IN COM.TEX/W/44.

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C O N F I D E N T I A L SECTION 2 OF 2 GENEVA 6560

USEEC

PASS TO STR ELECTRONICALLY FOR MIKE SMITH

4. ONE OF MAJOR DIFFICULTIES IN NEGOTIATION STEMMED
FROM SITUATION WHICH HAS LITTLE TO DO WITH TEXTILES:
I.E., THE CONTINUING CONTEST FOR LOCAL LEADERSHIP
WITHIN THE GROUP OF 77 - UNCTAD AMBIT. ESENTIALLY,
THIS STRUGGLE IS BETWEEN LOCAL REPS OF BRAZIL, INDIA,
EGYPT AND, TO A LESSER DEGREE, MEXICO. WITH ALL
TRYING TO OUT DO EACH OTHER IN ADHERENCE TO EVELOPING
COUNTRY THEOLOGY, EVERY SUGGESTION AT BEGINNING FOR
ACCOMMODATING EC WAS CONFRONTED WITH MOLOLITHIC OPPO-
SITION. FIRST CRACK IN THIS FRONT WAS MEXICO WHICH,
FROM OUTSET, RECOGNIZED REALITY OF THREAT TO MFA AND
ADOPTED POSITIONS WHICH WERE BOTH REASONABLE AND CONCIL-
IATORY. AAEAN'S JOINING IN FINAL DISCUSSIONS WERE ALSO
MOST HELPFUL. UNDOUBTEDLY, MEXICO AND ASEAN PARTICIPA-

TION IN REACHING FINAL UNDERSTANDING WAS CRUCIAL IT BEING UNLIKELY THAT KOREA OR HONG KONG (PARTICULARLY THE FORMER) COULD HAVE MAINTAINED THEIR CONCILIATORY CONFIDENTIAL

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POSITION IN ABSENCE ANY OTHER DEVELOPING COUNTRY SUPPORT. EGYPT REP WAS IN UNDOUBTEDLY DIFFICULT POSITION AT END. HE WAS IN DILEMMA AS TO WHETHER SUPPORT THE GROUP UNDERSTANDING AND RISK LOSS OF POSITION IN GROUP OF 77 OR TO OPPOSE UNDERSTANDING WHICH HE PRIVATELY ADMITTED WAS NOT IN EGYPT'S INTEREST. HE OPTED FOR LATTER COURSE AT END OF DISCUSSION IN LAST NEGOTIATING GROUP BUT THEN MADE AMBIGUOUS STATEMENT IN FINAL TC PLENARY ESSENTIALLY ASKING FOR MORE TIME TO "STUDY" UNRESOLVED ISSUES. IN SUMMARY, HE WASTED MUCH OF THE NEGOTIATING GROUP'S TIME IN AN HONEST LAST-DITCH EFFORT TO BRIDGE AN UNBRIDGEABLE GAP.

5. FINAL TC PLENARY ENDED IN CONFUSION. CHAIRMAN LONG'S FAILURE TO COMMENT IN HIS SUMMATION ON U.S. REQUEST FOR OPENING PROTOCOL RESULTED IN TENSE CONFRONTATION WITH LARGE NUMBER PARTICIPANTS FOLLOWING HIS ABRUPT GAVELING OF SESSION TO END. THERE ARE TWO SCHOOLS OF THOUGHT IN GENEVA AS TO HIS MOTIVATION. FIRST, THAT HE FEARED A CHAOTIC SCENE HAD HE EXPLAINED TO PARTICIPANTS THAT AS D-G OF GATT (AS OPPOSED TO CHAIRMAN, TC) HE WOULD HAVE TO ACCEDE TO REQUEST FOR PROTOCOL PUT FORWARD BY U.S. AND SUPPORTED BY NUMBER OTHER PARTICIPANTS, AND, MORE PARTICULARLY, THAT HE MIGHT HAVE BEEN FORCED TO REVEAL THAT THIS COURSE HAD PREVIOUSLY BEEN DISCUSSED WITH HIM BY U.S. DEL AND THAT HE HAD TACITLY APPROVED IT. SECOND, EXPLANATION, IS THAT HE WAS FEARFUL THAT TC PARTICIPANTS WOULD OPENLY CHALLENGE HIS RULING THAT "REPRESENTATIVE OF FRANCE" (COLMANT) COULD SPEAK OVER OBJECTION EC'S DEL CHAIRMAN (SEE PARA 4 REFTTEL). U.S., JAPAN AND SEVERAL OTHER DELS, WHEN GAVEL FELL, WERE CONSIDERING DOING EXACTLY THAT. LONG PERHPAS FELT THAT SUCH A DEBATE COULD EASILY HAVE GOTTEN OUT OF CONFIDENTIAL

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HAND WITH UNPREDICTABLE CONSEQUENCES FOR SUBSEQUENT EC RELATIONS WITH GATT. HIS DECISION MAY LEAD TO THAT END IN ANY EVENT.

6. IN CONCLUSION, THE INITIATIVE OF THE U.S. AND OTHER SUPPORTERS OF COM.TEX/W/44 HAS: A) PROVIDED THE

EC COMMISSION WITH SOME ROOM FOR MANEUVER IN ITS UP-
COMING BILATERALS AND, FOR THE TIME BEING, LESSENDED
THE IMMEDIATE THREAT OF A PREMAUTRE DEMISE OF THE MFA AS
A RESULT OF EC BEING FORCED INTO MASSIVE UNILATERAL
RESTRAINT ACTION; B) HAS ESTABLISHED A BASIS FOR EXTEN-
SION OF MFA UNCHANGED AND, C) ABOVE ALL, HAS GIVEN
ALL MFA PARTICIPANTS A CLEARER VIEW OF WHAT WORLD TEX-
TILE TRADE WOULD BE LIKE IN THE ABSENCE OF AN MFA.
PROVIDING THE EC NEGOTIATORS ARE ABLE TO ACHIEVE IN
THEIR BILATERALS ENOUGH TO INHIBIT THE FRENCH, BRITISH
AND DUTCH PROTECTIONISTS, WE WILL HAVE AN MFA EXTEN-
SION IN DECEMBER. IF THEY ARE UNABLE TO DO THIS, WE
MAY HAVE A TOTALLY NEW BALLGAME.VANDEN HEUVEL

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Message Attributes

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Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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